0470 - Department Of Information Systems

Final Progress Report
for the reporting period July 1, 2003 - June 30, 2004

Section I. Agency Update and Assessment

1. **Emerging Issues at the Federal (National) or State level affecting the agency.**

    Emerging issues affect our performance in developing an organization and a network of services capable of meeting the growing needs of our customers in such areas as data warehousing, data integration, network, security, infrastructure, expanded internet/e-mail connectivity, and web-based application development. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) calls for government to improve the efficiency and effectiveness of the health care system through the development of a health information system by establishing standards and requirements+A199 for the electronic transmission of certain health information. HIPAA security standards are a critical issue for DIS as we assist agencies in becoming compliant. DIS also continues its appeal of the findings of the U.S. Department of Health and Human Services, Division of Cost Allocation related to alleged over-charges to federal programs with the Attorney General's Office and outside Counsel.

2. **Status of any new initiatives funded from General Revenue or General Improvement funds in the 2003 Legislative Sessions and other changes made through General Legislation.**

    DIS does not receive State General Revenue funding.

3. **Discuss significant factors internal and external to the agency affecting agency performance.**

    The demand, scope, and variety of services required by our customers is constantly expanding and changing. DIS must be vigilant in responding to changing demands. One emerging factor is the expansion of services offered by the state via the internet and telephone. Critical to this theme is meeting the security requirements necessary for transactions involving personal customer information. Currently, we are devising a plan to provide our customers with consolidated network services to include voice, video, and data.

4. **Provide comments on the usefulness and reliability of performance measures.**

    As a pilot agency of Performance Based Budgeting, DIS strives to meet our target goals. To ensure reliability, the measures are accurate and verifiable, and are based upon acceptable data collection and processing procedures. The effort measures reflect a numerical count of resources used in performing the strategies; the output measures reflect a numerical count of services produced; the outcome measures indicate the actual impact or effect of program; and the efficiency measures reflect the program's cost associated with producing the desired outcome or output. Because this is a new program, and constant changes are demanded from our customers, the DIS metrics will evolve and change as the agency adapts to customer demands. DIS won the Arkansas Institute for Performance Excellence (AIPE) Interest and Commitment Awards. The Agency has submitted an application to attain the AIPE Achievement Award which requires a fully implemented quality program.

5. **Discuss significant uses of line item flexibility in this report period (agencies operating under Performance-Based Appropriations only).**

    In order to more effectively serve our customers DIS has been able to take advantage of line item flexibility to: (1) seamlessly target available funding and authority to support our states' technology systems, (2) adjust and, in some cases, reduce professional services costs as a result of select and efficient use of consultant services. These actions are taken in light of stated program performance expectations while recognizing the necessity to provide these services in a value-oriented manner.

Section II. Performance Indicators

Program 1: Administration & Customer Support Services Program

Goal 1: To provide quality financial services to our technologists, accurate record keeping for our customers and feedback to our agency for customer demand of technology products and services.

Objective 1: To provide administrative and support services to enable the department to accomplish the mission of the department.

Measure Number	Performance Indicators		Annual Target	FY04 Actual	Comments
1	% of Agency Performance targets met.	≥	85%	50%	Management will continue to improve our processes towards meeting the target for each measure. See comment 1 for additional initiatives.
2	% of Agency Staff in the Administration Program compared to total agency positions.	≤	11.4%	13.8%	See Comment 2 in comments section.
3	% of Agency Budget in the Administration Program compared to total agency budget.	≤	11.4%	12.3%	
4	Number of prior year audit findings repeated in subsequent audit.	=	0	0	
5	Percent of users satisfied with IT Services	≥	70%	66.5%	DIS is using the results of this survey to modify our actions toward increased customer satisfaction.
6	Percentage of staff time reported in specific project objectives other than "General Agency Overhead"	≥	2%	2%	
7	Percentage of IT Expenditures in $ spent through DIS	≥	30%	30.4%	
8	Number of New Public Sector Customers not at the State Level	≥	20%	17.2%	

Comments on performance matters related to Objective 1:

1. A service network has been developed to design and manage the state's core shared information technology infrastructures in a secure, reliable, cost-effective, and customer-oriented manner. Other initiatives include the implementation of appropriate technologies to exchange and share information. DIS continues to work toward a technical standard to support the state's shared technical architecture. These activities should have a positive affect on our Production, Customer Services, and other programs in meeting the targets set forth in Act 1627 of 2003. The Arkansas Wireless Information Network (AWIN) project, which will provide an interoperable communication network for emergency response, is being funded from sources external to DIS. DIS is providing technical service in the implementation of the network.

2. DIS has restructured its organization since this target was set resulting in a slightly different mix of Admin. Staff to total Agency Staff. We are in the process of filling vacant technical staff positions without additional support staff, thus improving this measure.

Program 2: Production Services

Goal 1: To provide reliable products and services to the public sector of Arkansas with the capital within our department.

Objective 1: To provide reliable processing of applications operated for the benefit of the state's public sector.

Measure Number	Performance Indicators		Annual Target	FY04 Actual	Comments
1	Number of agencies served	≥	222	148	See comment 1.
2	AASIS Support Center Costs	N/A	$11,000,000	N/A	DIS is no longer responsible for the daily management of the AASIS Support Center, or its budget. DFA has assumed those duties.
3	Percentage of Training Costs Per Employee compared to Outsourced costs.	N/A	24%	N/A	There are no longer outsource costs associated with the Production Services Program.
4	Maintenance Costs as a % of net assets	≤	23%	11.6%	DIS has and is continuing to review maintenance contracts. We are meeting this goal.
5	Overhead not including labor as a percentage of Revenue	≤	9%	0.6%	See comment 2.
6	Total Labor costs as a percentage of Revenues	≤	16%	8.6%	See comment 3.
7	Overhead labor as a percentage of Total Labor	≤	5.5%	14.8%	See comment 4.
8	Net Income/Losses from Production Services.	=	$0	$15,010,784	See comment 5.

Comments on performance matters related to Objective 1:

1. DIS is continuing to contact agencies that do not utilize our services and inform them of our competitive rates and commitment to quality service.

2. The target was set based on overall department overhead. The Production Services Program's internal overhead is running under the average for the agency as a whole. This measure will be changed in the new biennium to establish a better target for this metric.

3. DIS has restructured its' organization since this target was set resulting in a different mix of labor to revenue. DIS will request a change for the biennium to establish a better target for this metric.

4. DIS has restructured its' organization since this target was set resulting in a different ratio of Overhead to Total Labor. DIS will request a change for the biennium to establish a better target for this metric.

5. Net Income/Losses do not reflect over/(Under) recoveries for purposes of Federal Reporting or Cost Recovery purposes. The Agency is in the process of adjusting rates to bring areas of over/(under) recovery closer to zero.

Program 3: Consulting Services

Goal 1: To provide innovative and marketable solutions to the public sector of Arkansas.

Objective 1: To provide quality and innovative solutions for the Information Technology needs of our customers.

Measure Number	Performance Indicators		Annual Target	FY04 Actual	Comments
1	Percent of DIS Managed projects successfully completed on schedule and within budget.	≥	75%	86.00%	See comment 1.
2	Billable Time as a percentage of Total Department Time each month	≥	60%	71.72%	
3	Outsource Costs as a percentage of total Labor costs		25%	33.6%	DIS has successfully reduced contract programmers by completing work and handling the remaining workload in house. DIS is poised to meet this target in FY05.
4	Training Costs Per Employee compared to Outsourced costs per Employee.	≥	5%	16.6%	The combination of increased training of DIS employees and the reduction of outsourced labor resulted in higher percentage for this measure.
5	Average Length of Work in Process in Days	≤	270	346	Project timelines are established in concert with our customers. This measure has been found not to be effective in measuring our goals and objectives and has been eliminated for the next biennium.
6	Overhead not including labor as a percentage of Revenue	≤	9%	2.5%	
7	Total Labor costs as a percentage of total billed	≤	25%	6.4%	See comment 2.
8	Overhead labor as a percentage of Total Labor	≤	14%	29.3%	See comment 3.

9	Percentage of PEPMO staff time spent on projects/programs	≥	60%	56.9%	
10	Percentage of PEPMO Project Team who hold certification	=	100%	100%	
11	Net Income/Losses from Consulting Services.	=	$0	($4,752,380)	See comment 4.

Comments on performance matters related to Objective 1:

1. The target was set based on overall department overhead. The Consulting Services Program's internal overhead is running under the average for the agency as a hold. DIS will request a change for the biennium to establish a better target for this metric.

2. The 250% target in the appropriation act is a typographical error. DIS has restructured its' organization since this measure was set. The target for this measure has been revised for the new biennium.

3. DIS has restructured its' organization since this target was set resulting in a different ratio of Overhead to Total Labor. DIS will request a change for the biennium to establish a better target for this metric.

4. Net Income/(Losses) do not reflect Over/(Under) recoveries for purposes of Federal Reporting or Cost Recovery purposes. The Agency is in the process of adjusting rates to bring areas of over/(under) recovery closer to zero.

Program 4: Connectivity and Communications Services

Goal 1: To provide quality connection and reliability of network services using wire and wireless products for data, voice, and video.

Objective 1: To provide quality connection to the DIS Network.

Measure Number	Performance Indicators		Annual Target	FY04 Actual	Comments
1	Percentage of time network connectivity is functional and available per 24 hour day.	≥	99%	99.92%	
2	Number of agency agreements for telecommunications services per year.	≤	199	N/A	
3	Average cost per minute to customers for long distance.	≤	$0.075	$0.08	
4	Average cost per megabit to customers for network services - comment 2	≤	$273.77	$210.10	See comment 1.
5	Net Income/Losses from Communication Services.	=	$0	(3,178,534)	See comment 2.

Comments on performance matters related to Objective 1:

1. Megabit has been substituted for the word Megabyte.
The average cost per megabit of bandwidth is derived from total cost to operate the secure, redundant State network. DIS purchases bandwidth on periodic contracts. DIS carries out an ongoing effort to improve reliability and performance of the network. The target cost was set based on forecasted circuit costs and anticipated network upgrades. With the current biennium, DIS started charging for bandwidth on the Capitol Campus that previously was not billed. The costs are lower on the Campus, which tend to reduce the average cost per megabit. Future network security and network redundancy costs are expected to increase the average cost.
2. Net Income/(Losses) do not reflect over/(Under) recoveries for purposes of Federal Reporting or Cost Recovery purposes. The Agency is in the process of adjusting rates to bring areas of over/(under) recovery closer to zero.